



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FORMER TODD COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES**

March 27, 2001

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
FORMER TODD COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES
DALLAS ORR (Deceased)

March 27, 2001

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes for former Todd County Sheriff, Dallas Orr (Deceased) as of March 27, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The former sheriff collected net taxes of \$1,691,953 for the districts for 2000 taxes. The former Sheriff distributed taxes of \$1,621,063 to the districts for 2000 Taxes. Taxes of \$1,299 are due to the districts from the former Sheriff and refunds of \$802 are due to the former Sheriff from the taxing districts.

Deposits:

The former sheriff's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 2000 TAXES	3
NOTES TO FINANCIAL STATEMENT	5
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	9



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Cecil S. Mallory, Jr., Todd County Judge/Executive
Honorable Betty Orr, Todd County Sheriff
Members of the Todd County Fiscal Court

Independent Auditor's Report

We have audited the former Todd County Sheriff's Settlement - 2000 Taxes as of March 27, 2001. This tax settlement was the responsibility of the former Todd County Sheriff, Dallas Orr (Deceased). Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the former Todd County Sheriff's taxes charged, credited, and paid as of March 27, 2001, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky
Honorable Paul E. Patton, Governor
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Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Cecil S. Mallory, Jr., Todd County Judge/Executive
Honorable Betty Orr, Todd County Sheriff
Members of the Todd County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
March 7, 2002

TODD COUNTY
DALLAS ORR, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES

March 27, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 215,066	\$ 213,428	\$ 813,453	\$ 352,642
Tangible Personal Property	15,433	10,925	49,661	58,450
Intangible Personal Property				21,551
Fire Protection	1,434			
Taxes Increased Through Erroneous Assessments	114	152	429	186
Franchise Corporation	40,787	30,054	135,278	
Oil and Gas Property Taxes	22	19	83	1
Undeveloped Oil and Gas Property Taxes	1	1	2	36
Limestone, Sand, and Gravel Reserves	164	141	619	269
Bank Franchises	23,536			
Penalties	561	545	2,096	919
Adjusted to Sheriff's Receipt	8	(2,169)	(670)	32
 Gross Chargeable to Sheriff	 \$ 297,126	 \$ 253,096	 \$ 1,000,951	 \$ 434,086
 <u>Credits</u>				
Exonerations	1,464	1,702	5,509	2,393
Discounts	3,420	2,816	10,942	5,638
Delinquents:				
Real Estate	17,946	17,347	67,818	29,423
Tangible Personal Property	746	528	2,399	3,409
Intangible Personal Property				323
Oil and Gas Property	6	5	22	10
Uncollected Franchise:				
Current Year Franchise	23,349	17,136	77,037	
Prior Year Franchise	383	276	1,259	
 Total Credits	 \$ 47,314	 \$ 39,810	 \$ 164,986	 \$ 41,196
 Net Tax Yield	 \$ 249,812	 \$ 213,286	 \$ 835,965	 \$ 392,890
Less: Commissions *	10,904	9,065	33,439	16,985
 Net Taxes Due	 \$ 238,908	 \$ 204,221	 \$ 802,526	 \$ 375,905
Taxes Paid	239,357	203,401	802,401	375,904
 Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	 \$ (449)	 \$ 820	 \$ 125	 \$ 1

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TODD COUNTY
DALLAS ORR, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES
March 27, 2001
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on		845,988
4% on		835,965

** Special Taxing Districts:

Library District	\$	1,093
Health District		21
Extension District		33
Soil Conservation		(7)
Mud River		(346)
Pond River		12
Flood Land		14
		<hr/>
Due Districts or (Refunds Due Sheriff)	\$	<u>820</u>

The accompanying notes are an integral part of the financial statement.

TODD COUNTY
NOTES TO FINANCIAL STATEMENT

March 27, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of March 27, 2001, the former Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

TODD COUNTY
NOTES TO FINANCIAL STATEMENT
March 27, 2001
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 27, 2000 through February 14, 2001. Collection responsibilities for 2000 taxes were transferred from the former sheriff to the current sheriff as of February 14, 2001.

Note 4. Bond Coverage

KRS 134.320 and KRS 134.250 give the Fiscal Court the authority to require the Sheriff to have a county revenue bond. The county revenue bond is meant to cover all tax monies on hand in the Sheriff's office. During 2000 tax year, the highest amount of tax collections on hand was \$174,664. Since the Former Sheriff's county revenue bond was only \$25,000, the amount of the bond appears inadequate to protect the county from potential loss.

Note 5. Interest Income

The former Todd County Sheriff earned \$4,533 as interest income on 2000 taxes. The former Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the former Todd County Sheriff's Settlement - 2000 Taxes as of March 27, 2001, and have issued our report thereon dated March 7, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Todd County Sheriff's Settlement - 2000 Taxes as of March 27, 2001 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Todd County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
March 7, 2002

